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- ports on all the leading forms of rural coöperation in the United States and Europe.* (New York: Orange Judd Co. 1915. Pp. 244. \$1.50.)
- ROUSH, G. A. *Mineral industry.* (New York: McGraw-Hill. 1915. Pp. 1000. \$10.)
- SKINNER, W. R. *The oil and petroleum manual for 1915.* (London: Skinner. 1915. Pp. 279. 4s.)
- STANSFIELD, E. and CARTER, F. E. *Products and by-products of coal.* (Ottawa: Dept. Mines. 1915. Pp. 51.)
- TEN EYCK, A. M. *Wheat. A practical discussion of the raising, marketing, handling and use of the wheat crop, relating to the Great Plains region of the United States and Canada.* (Lincoln, Nebr.: Campbell Soil Culture Pub. Co. 1914. Pp. 194.)
- WILLIS, J. C. *Agriculture in the tropics. An elementary treatise.* Second edition. (New York: Putnam. 1914. Pp. xvi, 223.)
- Complete record of Lake Superior iron ore shipments; annual shipments from each mine for past twenty years; total tonnage shipped by mines and ranges since 1844.* (Cleveland: Penton Pub. Co. 1915. 25c.)
- Annuaire international de statistique agricole 1911 et 1912; 1913-1914.* (Rome: Inst. Agr. Intern. 1915. Pp. xxxiv, 622; xlv, 786.)

Manufacturing Industries

NEW BOOKS

- VAN DELDEN, W. *Studien über die indische Juteindustrie.* (Munich: Duncker & Humblot. 1915. 5 M.)
- DONALD, W. J. A. *The Canadian iron and steel industry. A study of the economic history of a protected industry.* Hart, Schaffner & Marx prize essays, XIX. (Boston: Houghton Mifflin. 1915. Pp. xv, 376. \$2.)
To be reviewed.
- DUNBAR, D. E. *The tin-plate industry. A comparative study of its growth in the United States and in Wales.* Hart, Schaffner & Marx prize essays, XX. (Boston: Houghton Mifflin. 1915. Pp. 133. \$1.)
To be reviewed.
- HUSBAND, J. *Steam and steel.* (Boston: Houghton Mifflin. 1915. \$1.)
- NEYSTROM, P. H. *Textiles.* (New York: Appleton. 1915. \$1.50.)

Transportation and Communication

- Railroads. Finance and Organization.* By WILLIAM Z. RIPLEY. (New York: Longmans, Green and Company. 1915. Pp. xix, 638. \$3.00.)

The second volume of Professor Ripley's *Railroads*, dealing

with *Finance and Organization*, fulfills the expectations roused by his *Rates and Regulation* which appeared in 1912. Here are found the same comprehensive grasp of the subjects dealt with, the same wealth of illustration, the same intimate acquaintance with railroad practice past and present, and the same vigorous style which characterized the earlier volume. While the needs of the student seem to have been in the mind of the author (p. ix) the book is more particularly addressed to executives, bankers, and directors. "It aims to be a constructive essay in government systematizing information for others in a single department of the business of the state; and offering, it may be, helpful suggestions at a critical time" (vi). It is, therefore, as a tract for the times, rather than as a text, that the book is to be judged.

Judged from this point of view, the book has high merit. Every chapter is full of a zeal which shows that the task is taken seriously; criticism of policies both public and private and of men in high places is frank and vigorous; and the ethical tone of the discussion is high. In some places, however, there is uncertainty where those seeking guidance would like certainty, vagueness where definite conclusions are desired. In following his favorite method of reaching his point through the use of concrete example the author does not always make his conclusion obvious. Thus in the admirable opening chapter considerable space is given to a description of construction company finance. If the reader were left to draw his own conclusions from the examples presented as to the merits of this financial device, he could hardly fail to condemn it; yet we are told (p. 50) that the record is not "to be interpreted as necessarily an indictment of the construction company." Surely a device which lends itself so readily to evil, usually corrupt, practice that it can be said even of present-day instances, collected in no muck-raking spirit, that they have without exception been "disastrous in their outcome," is condemned by the record.

Chapters 2 to 9 inclusive, constituting about one half the volume, deal with questions of capital and capitalization. Nowhere else has the subject been treated so comprehensively and satisfactorily as here. The chapters likely to attract most attention are those on stock watering and the regulation of security issues. Professor Ripley disagrees with the Railroad Securities

Commission as to the adequacy of publicity in such matters. Publicity in every detail of financial operation is advocated as a matter of course; but publicity alone will not prevent certain abuses, and, once done, the evil can not be cured. Public regulation of issues is regarded as a necessity. At this point one of the important messages of the book is delivered: Financial regulation of interstate carriers by state authority is wholly inadequate and a grievous burden to the carriers. Whether federal incorporation is required to meet the exigencies of the case "would seem to be more problematical," but that federal authority should supplant state authority over capitalization, reorganization, and like matters, seems to the author clear and imperative. He would go further. "It is also daily becoming more clear that the conflict of State and Federal authority in the regulation of rates can be averted only by the assumption of unified financial control by the United States. Rates, service and finance are so completely interlocked that satisfactory regulation in each field can not be exercised except by the assumption of full authority over all the three domains alike" (p. 310).

Professor Ripley is convinced that the country is ready for such a transfer of power (p. 312). On what evidence he has reached this conclusion, contrary to that of the Securities Commission in 1911, does not appear. Recent experience may have convinced students of the need of the change; but in a democracy great masses of men have to be convinced; and it may be doubted whether as a practical program any point of it could be carried out, unless it be, possibly, the transfer of control over securities. It seems highly improbable, however, that control over rates and service will be readily surrendered. And this mainly for two reasons: Fear lest the lack of long-range regulation of a net of 260,000 miles would prove too great for the most capable of administrative bodies; and, second, fear lest a commission made the repository of such stupendous power could not resist capture by a body of carriers who know just what they want—an objection only partially removed by the proposal for a separate commission on capitalization. Moreover, the old contention that the states are valuable "experiment stations" has not lost its force. It will be remembered that about every gain made in railroad control in the United States has been made through the audacious efforts of the states, and it will be doubted whether these gains

could ever have been made from Washington. We say nothing of the less worthy motives which buttress the power of the states and will continue to do so, however injuriously that power may be exercised.

Two chapters are given to a review of the crop of problems, mostly unsettled as yet, growing out of the attempt during the past twenty years to determine a reasonable return. The analysis is helpful but leaves many questions "puzzling," "perplexing," "debatable." On the large issue as to what shall constitute the base for rate making the author holds that "despite its insecure legal footing," the actual cost of the property "seems to be not only the most natural but in many respects the fairest single basis for the reasonableness of rates." Nevertheless, it seems that some form of reproduction theory is accepted as final; otherwise his conclusion after reviewing the state physical valuations, so-called, can hardly be understood. Comparing security issues with "present physical value," he regards "the evidence as conclusive that over-capitalization does not exist" (344). The important fact seems to be lost sight of temporarily that these figures are by no means final. The findings of the Nebraska engineer, *e.g.*, have never been accepted by the state commission. (This valuation, by the way, was not made for tax purposes, p. 333). In the Minnesota rate case, counsel for the state argued not only against the use of "multipliers" in valuing the right of way, but against including any unearned increment in "fair value." There is no need of reviewing the swift rise of this question and that of the proper treatment of invested earnings. Professor Ripley recognizes the claim of the right of the community, as against the railroads, to the values it has created. "However accomplished," he says (p. 354) "the rôle of land values in rate-making, if not eliminated, ought certainly to be minimized. . . . The only fair criterion [for rates] should be the actual investment or sacrifice on the part of the owners of the enterprise."

In a similar way he recognizes the importance of the proper treatment of that element in the assets of a railroad arising from the investment of undivided earnings. The question of the ownership of such earnings is discussed in the chapter on stock watering, though it must be said in no very conclusive way (241-247). While the discussion at this point is upon the right

of shareholders to divide the surplus it is significant chiefly as bearing on their right to earnings on such surplus. The main argument of the book would seem to exclude such property from the base for rate making, but, choosing a middle ground in the controversy, the author holds that what to do with a company's surplus "will depend upon the circumstances, particularly upon the actual source of the surplus itself. . ." The sharp differentiation of a surplus arising from exceptionally intelligent management, coupled with manifestly fair treatment to the public, "from surpluses arising through public donations or an increment of land values on the one hand or an extortionate policy on the other, is sufficient to discourage loose generalization. In fine, each case must be judged upon its own merits." That is, we are left without any clear rule for the treatment of this important item. Until this and similar questions have been settled the sweeping conclusion "that the hoary-headed bogie of an immense over-capitalization of American railroads is laid at rest by the results of these official investigations" seems premature.

The last third of the volume describes admirably the existing intercorporate relations of carriers, the methods by which they have been brought about, and the dissolutions under the Sherman act, and closes with a chapter on pooling. A definite stand is taken for the repeal of the prohibition on pooling. Such repeal would produce steadiness in difficult traffic situations, it is argued, eliminate the wastes of competition, and especially that of round-about routing, and it might result in freeing the carriers from dependence upon the private car companies. The wastes of competition go on between great systems and are not likely to be stopped except by some plan of coöperation now forbidden.

Professor Ripley does not argue, as did the older advocates of pooling, for a policy of *laissez faire*. He accepts the principle of public regulation as a matter of course. Indeed, it may be said that a demand for more, rather than less, regulation is a distinct characteristic of the book. Illustrations have already been given in the discussion of capitalization. A further example is seen in the chapter on the "anthracite arrangement." "Final success," he says in dealing with this complex situation, "will be achieved only when the market price of anthracite, mining included with transportation, is brought definitely under govern-

ment control." On the other hand he is not disposed to account for present railway ills on the ground of over-regulation as has been the fashion during the last few years. An opportunity to encourage the attack on regulation was open in treating of the course of prices of railway securities (ch. 5); but he has found the causes for the decline of railway bonds in the practices of the railways themselves and in underlying economic forces, chief of which he holds is the fall in the value of money.

Whether one agrees with his main conclusions or not, one is bound to recognize the fact that Professor Ripley has set a new standard for the treatment of the railway question. The book is well made up. There is a good index, the appendix contains matter of interest, though more in the nature of footnotes than of appendixes, and the footnotes themselves and citations are copious and serviceable in spite of the frequent irritating omission of the authorship of the articles cited.

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Nationalization of Railways in Japan. By TOSHIHARU WATARAI. Columbia University Studies in History, Economics and Public Law, Vol. LXIII, No. 2. (New York: Longmans, Green and Company. 1915. Pp. 156. \$1.25.)

In spite of his previous association with the work of the Imperial Board of Railways, Dr. Watarai finds himself dissatisfied with the results of the policy of nationalization adopted by Japan in 1906. Not that he is opposed to the principle of government ownership of railways. Rather he would approve if the state railways could be administered from the standpoint of public interests instead of from that of profitableness, but the status of the national finances of Japan makes this impracticable. He is forced, therefore, to the conclusion that there is no good reason for the maintenance of the policy of nationalization in his country.

Actually, the results of nationalization have been, on the whole, disappointing. The new policy was inaugurated under very promising conditions. The price paid for the purchased railways was high but not to such an extent that any difficulty was experienced in meeting interest obligations upon the 5 per cent state securities given in exchange for the properties. No attempt was made to take over the subsidiary and financially